

Lowering Premium Tax through Job Growth in Rhode Island

The Rhode Island General Assembly amended Section 44-17-1 of the General Laws entitled “Taxation of Insurance Companies” to provide a methodology by which Premium Tax could be reduced if “Qualifying Insurers” collectively create at least 350 new “qualifying jobs” in Rhode Island. The reduced premium tax rate would apply to all companies writing business in Rhode Island. This amendment could also provide retaliatory premium tax relief for insurance companies domiciled in RI. This statute allows the Premium Tax to be reduced as low as 1% if sufficient job and Personal Income Tax growth were to occur.

In order to gather the appropriate information to allow the Rhode Island Insurance Division and the Rhode Island Department of Revenue to accurately calculate the qualifying jobs growth in Rhode Island, all qualifying insurers are required to complete the attached Excel spreadsheet and submit it electronically to: DBR.PremiumJobs@dbri.gov.

A “Qualifying Insurer” is any domestic, foreign, or alien insurance company, mutual association, organization, or other insurer, but excludes: Health Maintenance Organizations (as defined in § 27-41-2); Nonprofit Dental Service Corporations (as defined in § 27-20.1-2); and Nonprofit Hospital or Medical Service Corporations (as defined in §§ 27-19-1 and 27-20-1).

A “Qualifying Employee” is any employee that was issued a Rhode Island W-2 with total annual wages equal to or greater than forty percent (40%) of the average annual wages of the Rhode Island insurance industry, as published by the annual employment and wages report of the Rhode Island Department of Labor and Training, in NAICS code 5241. Forty percent (40%) of the average annual wages for calendar years 2015 – 2017 is as follows:

- 2015 = \$32,188.00
- 2016 = \$34,312.80
- 2017 = \$35,725.20

Any employee that was issued a Rhode Island W-2 and earned at least \$32,188.00 in calendar year 2015, \$34,312.80 in calendar year 2016, and/or \$35,725.00 in calendar year 2017 is a qualifying employee.

Spreadsheet Instructions:

The attached worksheet should be completed once per holding company, and ensuring that all entities within the group that are required to file are included on the worksheet.

Column 1: Enter the NAIC Company Code (if applicable) for each company listed in Column 2.

Column 2: Enter the name of the Company that is licensed or approved in Rhode Island, including its subsidiaries, affiliates, and any service companies within the holding company structure that have Rhode Island employees. Rhode Island employees that are actually employed by another entity within the holding company system are also considered qualifying employees as long as they meet the definition provided above.

Column 3: Enter the Federal Employers Identification Number (FEIN) for each entity within the holding company system that employs Rhode Island employees. This information will be used by the Rhode Island Department of Revenue to verify the W-2 information for the Rhode Island employees.

Columns 4, 8, and 12: Enter the **total** Personal Income Tax (PIT) withholdings for **all** W-2 employees in the state of RI for year 2017 (Col. 4), 2016 (Col. 8), and 2015 (Col. 12). This amount should reconcile to the amount reported on Form RI W-3 for each year.

Columns 5, 9, and 13: Enter the total number of employees that were issued a W-2 for wages earned in RI for years 2017 (Col. 5), 2016 (Col. 9), and 2015 (Col. 13). This amount should equal the total number of RI W-2s that were filed with the RI Division of Revenue.

Columns 6, 10, and 14: Enter the total number of “Qualifying Employees” as defined above, for years 2017 (Col. 6), 2016 (Col. 10), and 2015 (Col. 14).

Columns 7, 11, and 15: Enter the total Personal Income Tax withholdings for all “Qualifying Employees” for years 2017 (Col. 7), 2016 (Col. 11), and 2015 (Col. 15).

Should you have any questions, please e-mail Joseph Rapczak at: joseph.rapczak@dbr.ri.gov.

2017 Premium Jobs Growth Worksheet

Frequently Asked Questions

Q:	Which entities should be included on the worksheet?
A:	Include any entities <i>licensed or approved</i> in RI, even if filing 'NONE', and include any entities reporting RI employees/withholding (including service companies and insurance-related subsidiaries). Therefore, it is preferable to complete this form once at the holding company level (if applicable).

Q:	If my organization does not have any employees in RI, do I still need to file this worksheet?
A:	Yes. The Division requires 'NONE' filings in order to distinguish between organizations without employees to report and organizations that may be unaware of the filing requirement.

Q:	My organization has no employees in RI and/or has no plans to add more employees in RI. Why do we need to complete this form, and how would this program benefit us?
A:	The premium tax reduction would be based on the <i>aggregate</i> number of qualifying insurance jobs created in RI. Therefore, your taxes on premiums written in RI could be reduced, even if your company has no RI employees. However, your participation is needed to accurately measure our employment base.

Q:	Does my organization need to file if it is: <ul style="list-style-type: none">• A Fraternal Benefit Society?• In runoff, or otherwise has zero premiums written in RI?• A captive?• A Registered Risk-Retention Group?• An Approved/Accredited Reinsurer?• A Registered Surplus Lines Insurer?
A:	Yes.

Q:	Which taxes should be included in the reported withholding amounts (e.g. state income, federal income, payroll)?
Q:	My organization has employees who live in RI, but work out of state and voluntarily withhold RI taxes. Should I include these employees and W-2 withholdings?
A:	The columns for "All Employees" should match the RI Personal Income Tax withholding amounts and number of W-2s reported on the RI W-3 filed with the RI Division of Taxation. Employees who do not work in RI but have RI withholding would be included under "All Employees", but excluded under "qualifying employees". Refer to Exhibit A .

Q:	Why do I need to provide data for 2015, 2016, and 2017, if I provided data for 2015 and 2016 last year?
A:	Based on feedback from the industry, the premium jobs law was amended to make the calculation of “qualifying employees” less burdensome for reporting insurers. However, this change in methodology requires a re-measurement of the 2015 baseline and subsequent data.

Q:	Is the Filing spreadsheet required if I am only submitting a ‘NONE’ filing?
A:	No -- if you prefer, you may send an email listing the RI-licensed/registered entity or entities (including NAIC CoCodes) for which you are filing ‘NONE’, and including language to this effect.